Appendix 6

Treasury Management Prudential Indicators

Summary Prudential Indicators

		Forecast 24/25 £000's	Forecast 25/26 £000's	Forecast 26/27 £000's	Forecast 27/28 £000's
1	**Ratio of financing costs to net revenue stream:**				
	(a) General Fund financing costs	40,994	41,182	39,963	41,832
	(b) General Fund net revenue stream	277,400	289,741	297,210	305,434
	General Fund Percentage	14.78%	14.21%	13.45%	13.70%
2	**Gross Debt & Capital Financing Requirement**				
	Gross debt including PFI liabilities	318,640	319,782	322,406	303,420
	Capital Financing Requirement	542,376	571,519	574,142	555,157
	Gross Investments	-40,000	-50,000	-50,000	-50,000
3	**Capital Expenditure (Note this excludes leasing)**				
	General Fund	111,275	171,587	142,181	85,947
4	**Capital Financing Requirement (CFR)**				
	Capital Financing Requirement	542,376	571,519	574,142	555,157
5	**Authorised limit for external debt**				
	Authorised limit for borrowing	495,898	513,550	522,212	510,239
	+ authorised limit for other long-term liabilities	50,042	77,968	71,930	64,918
	= authorised limit for debt	545,940	591,519	594,142	575,157
6	**Operational boundary for external debt**				
	Operational boundary for borrowing	475,898	493,550	502,212	490,239
	+ Operational boundary for other long-term liabilities	50,042	77,968	71,930	64,918
	= Operational boundary for external debt	525,940	571,519	574,142	555,157

7	**Actual external debt**	
	actual borrowing at 31/03/24	247,482
	+ PFI & Finance Lease liabilities at 31/03/24	53,877
	+ transferred debt liabilities at 31/03/24	4,652
	= actual external debt at 31/03/24	306,011

8	**CIPFA Treasury Management Code** ~ has the authority adopted the code?	Yes

		Forecast 24/25 £000's	Forecast 25/26 £000's	Forecast 26/27 £000's	Forecast 27/28 £000's
9	**Interest rate exposures for borrowing**				
	Upper Limit for Fixed Rate Exposures	480,919	513,550	522,212	510,239
	Upper Limit for Variable Rate Exposures	96,184	102,710	104,442	102,048

		forecast	lower	upper	
10	**Maturity structure of borrowing - limits**				
	under 12 months	13%	0%	50%	
	12 months to within 24 months	0%	0%	20%	
	24 months to within 5 years	0%	0%	30%	
	5 years to within 10 years	22%	0%	30%	
	10 years & above	65%	40%	100%	
11	**Investments longer than 364 days: upper limit**	30,000	30,000	30,000	30,000

Prudential Indicators

The CIPFA Code imposes on the Council clear governance procedures for setting and revising of prudential indicators and describes the matters to which a Council will ‘have regard’ when doing so. This is designed to deliver accountability in taking capital financing, borrowing and treasury management decisions. The Prudential Indicators required by the CIPFA Code are designed to support and record local decision making and not used as comparative performance indicators. There are eleven indicators shown on the previous page, and these are outlined below:

Revenue Related Prudential Indicators

Ratio of Financing Costs to Net Revenue Stream (indicator 1) – Definition Revised:

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

Capital and Treasury Management Related Prudential Indicators

Gross Debt and Capital Financing Requirement (Indicator 2):

The Council needs to be certain that gross external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional capital financing requirement for the next three financial years. The CFR is defined as the Council's underlying need to borrow for capital purpose, i.e. its borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.

Capital Expenditure (Indicator 3):

This indicator is an estimation of the Council’s future capital expenditure levels, and these underpin the calculation of the other prudential indicators. Estimates of capital expenditure are a significant source of risk and uncertainty, and it is important that these estimates are continually monitored and the impact on other prudential indicators (particularly those relating to affordability) assessed regularly.

Capital Financing Requirement (Indicator 4):

As outlined in Indicator 2 above, the CFR represents the Council's underlying need to borrow for capital purposes.

Authorised Limit for External Debt (Indicator 5):

This statutory limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. Borrowing at this level could be afforded in the short term but is not sustainable. The Authorised limit has been set on the estimated debt with sufficient headroom over and above this to allow for unexpected cash movements.

Operational Boundary for External Debt (Indicator 6):

This indicator refers to the means by which the Council manages its external debt to ensure it remains within the statutory Authorised Limit. It differs from the authorised limit as it is based on the most likely scenario in terms of capital spend and financing during the year. It is not a limit, and actual borrowing could vary around this boundary for short times during the year.

Actual External Debt (Indicator 7):

This indicator identifies the actual debt at the end of the previous financial year as recognised with the Statement of Accounts.

Adoption of the CIPFA Treasury Management Code (indicator 8):

This indicator is acknowledgement that the Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice.*

Interest Rate Exposures for Borrowing (Indicator 9):

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The Upper Limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could impact negatively on the overall financial position.

Maturity Structure of Borrowing – Limits (Indicator 10):

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, thereby managing the effects of refinancing risks. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Investments Longer than 364 days: Upper Limit (Indicator 11):

This indicator sets an upper limit for the level of investment that may be fixed for a period greater than 364 days. This limit is set to contain exposure to credit and liquidity risk.

All these prudential limits need to be approved by full Council but can be revised during the financial year. Should it prove necessary to amend these limits, a further report will be brought to Cabinet, requesting the approval of full Council for the changes required.

Liability Benchmark

This indicator sets out a long-term comparison of the underlying need to borrow vs the level of existing borrowing, and therefore gives a projection of the level of borrowing required. The indicator is presented as a forecast over 25 years:

Year End	Loans Capital Financing Requirement	Net Loans Requirement	Liability Benchmark	Actual Borrowing	Forecast Borrowing Required
	£m	£m	£m	£m	£m
2025	455.4	205.7	245.7	245.7	0.0
2026	493.6	254.1	294.1	243.0	51.1
2027	502.2	273.0	313.0	241.7	71.3
2028	487.3	268.3	308.3	240.4	67.9
2029	471.3	262.4	302.4	239.0	63.4
2030	446.8	248.1	288.1	237.7	50.4
2031	422.3	233.7	273.7	236.3	37.3
2032	398.2	219.7	259.7	234.9	24.8
2033	375.9	207.5	247.5	233.5	14.0
2034	354.4	196.0	236.0	214.0	21.9
2035	333.5	185.1	225.1	194.6	30.5
2036	315.8	177.5	217.5	188.1	29.4
2037	299.5	161.1	201.1	172.1	29.0
2038	283.1	144.7	184.7	172.1	12.7
2039	266.7	128.4	168.4	172.1	-3.7
2040	250.8	112.5	152.5	172.1	-19.6
2041	235.7	97.3	137.3	172.1	-34.8
2042	221.4	83.1	123.1	172.1	-49.0
2043	207.2	68.8	108.8	167.1	-58.3
2044	192.9	54.5	94.5	167.1	-72.6
2045	179.0	40.6	80.6	165.8	-85.2
2046	165.0	26.6	66.6	165.8	-99.1
2047	151.0	12.6	52.6	165.8	-113.1
2048	136.9	-1.4	38.6	159.8	-121.2
2049	122.9	-15.5	24.5	153.7	-129.2

Loans Capital Financing Requirement (LCFR) – the underlying requirement to borrow for capital financing purposes, excluding PFI. This increases as new capital spend to be resourced from borrowing is incurred and falls as MRP is made as a provision to repay borrowing. The LCFR is based on the capital programme set out in this report.

Net Loans Requirement (NLR) - the LCFR less resources available to temporarily fund borrowing requirements from available cash (e.g. cash backing up reserves, net current assets). The NLR assumes that the authority holds no investment balances.

Liability Benchmark (LB) - the NLR plus a liquidity allowance of £40m, representing the gross forecast level of borrowing required at each year end assuming that the authority holds a cash/investment balance of £40m as a liquidity buffer.

Actual Borrowing - the total level of existing borrowing reducing over time as borrowing matures for repayment. This figure assumes no new borrowing and that LOBO loans of £38m mature at their contractual date and excludes PFI and transferred debt liabilities.

Forecast Borrowing Required - the Liability Benchmark less Actual Borrowing, representing the net forecast total level of borrowing required at each year end. Factors that impact on this 25-year forecast include the future level of: reserves; net current assets (e.g. debtors and creditors); capital expenditure; capital resourcing; Minimum Revenue Provision; debt repaid early (e.g. LOBOs in advance of the contractual maturity date).

Commercial Investment Indicators

Investment Category Value: Total Gross Asset Value – Current

1 Value (i)

	2024/25 £000	2024/25 Ratio	2025/26 £000	2025/26 Ratio
Service Loans	51,456	2.7%	50,359	2.6%
Service Shares	122,319	6.3%	116,456	6.0%
Investment Property	322,956	16.7%	301,809	15.6%
Total Commercial Assets	**496,731**	**25.6%**	**468,625**	**24.2%**
Total Council Assets *	**1,937,759**		**1,937,759**	

*** Assumes asset value is constant over the period**

2 Debt Funding per Investment Category

The Council's underlying borrowing requirement, in the form of the Capital Financing Requirement as at 31/3/2024, was 27% (26.5% as at 31/03/2023) of total council assets by current value.

3 Rate of Return (on Gross Asset Value)

	2024/25 Income £000	2024/25 Return %	2025/26 Income £000	2025/26 Return %
Service Loans (ii)	1,826	3.5%	1,786	3.5%
Service Shares	9,373	7.7%	8,675	7.4%
Investment Property	12,302	3.8%	13,417	4.4%
Total Commercial Assets	**23,501**	**4.7%**	**23,877**	**5.1%**

4 Service Loans: 2025/26 Upper Limit - Capital Invested (ii)

Service Loans	**2023/24 £000**	**2024/25 £000** forecast	**2025/26 £000** forecast
Group Entities		23,034	22,181
Local Organisations		26,291	26,046
Service Users		2,363	2,363
Total Existing Loans		**51,687**	**50,591**
Future Loans		18,313	9,409
Total Loans Limit	**91,000**	**70,000**	**60,000**

5 Shares: 2025/26 Upper Limit - Capital Invested (ii)

Shares	**2023/24 £000**	**2024/25 £000** forecast	**2025/26 £000** forecast
Group Entities		39,488	39,488
Local Organisations		12,019	12,019
Total Existing Shares (iv)		**51,508**	**51,508**
Future Investment		3,492	3,492
Total Shares	**55,000**	**55,000**	**55,000**

6 Debt: Net Revenue Stream

Debt: NSE	**2024/25 £000**	**2025/26 £000**
Net Service Expenditure	277,400	289,793
Gross Debt	318,640	319,782
Ratio	**114.9%**	**110.3%**

7 Commercial Income: Net Revenue Stream

Commercial Income: NSE	**2024/25 £000**	**2025/26 £000**
Net Service Expenditure	277,400	289,793
Gross Investment Income	23,501	23,877
Ratio	**8.5%**	**8.2%**

Notes:

(i) Current value includes revaluation changes and impairment adjustments, in addition to capital invested

(ii) Capital invested excludes revaluation changes and impairment adjustments.